

**Introduced by Senator Speier**

February 25, 2000

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An act to amend Section 2982.8 of the Civil Code, and to amend, repeal, and add Section 4000.37 of the Vehicle Code, relating to vehicles.

LEGISLATIVE COUNSEL'S DIGEST

SB 1996, as introduced, Speier. Financial responsibility.

(1) Under existing law, a specified notice is required to be given to the buyer of a vehicle under a conditional sales contract that is required to be printed in contrasting red ink informing the buyer that it is his or her responsibility to obtain liability insurance and that the insurance acquired by the lienholder does not provide liability coverage and does not satisfy the financial responsibility laws of California.

This bill would substantially recast the required contents of that notice.

This bill would also require the Department of Motor Vehicles to provide that notice in those languages in which the Secretary of State used in the printing of the most recent Statewide Ballot Pamphlet and to provide copies of the notice in those languages to lienholders upon request. The bill would require a lienholder to provide the notice in one of the specified languages to the purchaser upon request. Because failure to provide these notices to the purchaser upon request would be a crime, this bill would impose a state-mandated local program by expanding the scope of an existing crime.

(2) Under existing law, the department is required to require an applicant for renewal of a motor vehicle

registration to submit a specified form, as developed by the department, regarding the applicant's motor vehicle liability insurance or provide certain documentation regarding alternative evidence of financial responsibility.

This bill would additionally require, after July 1, 2001, applicants for initial and transfer of motor vehicle registration to submit the specified financial responsibility forms.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 2982.8 of the Civil Code is  
2 amended to read:

3 2982.8. (a) If a buyer is obligated under the terms of  
4 the conditional sale contract to maintain insurance on the  
5 vehicle and subsequent to the execution of the contract  
6 the buyer either fails to maintain or requests the holder  
7 to procure the insurance, any amounts advanced by the  
8 holder to procure the insurance may be the subject of  
9 finance charges from the date of advance as provided in  
10 subdivision (e).

11 (b) These amounts shall be secured as provided in the  
12 contract and permitted by Section 2984.2 if the holder  
13 notifies the buyer in writing of his or her option to repay  
14 those amounts in any one of the following ways:

15 (1) Full payment within 10 days from the date of  
16 giving or mailing the notice.

17 (2) Full amortization during the term of the  
18 insurance.

19 (3) If offered by the holder, full amortization after the  
20 term of the conditional sale contract, to be payable in  
21 installments which do not exceed the average payment  
22 allocable to a monthly period under the contract.

(4) If offered by the holder, a combination of the methods described in paragraphs (2) and (3), so that there is some amortization during the term of the insurance, with the remainder of the amortization being accomplished after the term of the conditional sale contract, to be payable in installments which do not exceed the average payment allocable to a monthly period under the original terms of the contract.

(5) If offered by the holder, any other amortization plan.

If the buyer neither pays in full the amounts advanced nor notifies the holder in writing of his or her choice regarding amortization options before the expiration of 10 days from the date of giving or mailing the notice by the holder, the holder may amortize the amounts advanced on a secured basis pursuant to paragraph (2) or, if offered by the holder as an option to the buyer, paragraph (3) or (4).

(c) (1) The written notification described in subdivision (b) shall also set forth the amounts advanced by the holder and, with respect to each amortization plan the amount of the additional finance charge, the sum of the amounts advanced and the additional finance charge, the number of installments required, the amount of each installment and the date for payment of the installments.

In addition, the notice shall contain a statement in contrasting red print in at least 8-point bold type, which reads as follows:

~~“WARNING—IT IS YOUR RESPONSIBILITY UNDER CALIFORNIA LAW TO OBTAIN LIABILITY INSURANCE OR BE SUBJECT TO PENALTIES FOR VIOLATING SECTION 16020 OF THE VEHICLE CODE, WHICH MAY INCLUDE LOSS OF LICENSE OR A FINE. THE INSURANCE ACQUIRED BY THE LIENHOLDER DOES NOT PROVIDE LIABILITY COVERAGE AND DOES NOT SATISFY YOUR RESPONSIBILITY UNDER CALIFORNIA LAW.”~~

~~“WARNING—THE INSURANCE THAT YOU ARE BUYING DOES NOT ALLOW YOU TO LEGALLY~~

1 DRIVE ON THE STREETS OF CALIFORNIA. IN  
2 ORDER TO LEGALLY DRIVE ON THE STREETS OF  
3 CALIFORNIA, YOU MUST EITHER PURCHASE A  
4 TYPE OF INSURANCE CALLED "LIABILITY  
5 INSURANCE" OR DEPOSIT A BOND WITH THE  
6 DEPARTMENT OF MOTOR VEHICLES. IF YOU DO  
7 NOT ALREADY HAVE LIABILITY INSURANCE FOR  
8 THIS CAR, OR A BOND ON FILE, AND YOU DRIVE  
9 THIS OR ANY OTHER CAR WITHOUT LIABILITY  
10 INSURANCE OR A BOND, A POLICE OFFICER MAY  
11 REQUEST EVIDENCE OF LIABILITY INSURANCE  
12 OR A BOND AT THE TIME OF A TRAFFIC STOP. IF  
13 YOU DO NOT HAVE EVIDENCE OF LIABILITY  
14 INSURANCE OR A BOND DURING A TRAFFIC STOP,  
15 THE FINES CAN BE FROM SEVERAL HUNDREDS  
16 OF DOLLARS TO AN AMOUNT THAT EXCEEDS  
17 ONE THOUSAND DOLLARS (\$1,000). IF YOU GET  
18 INTO AN AUTOMOBILE ACCIDENT AND DO NOT  
19 HAVE LIABILITY INSURANCE OR A BOND, YOU  
20 WILL LOSE YOUR DRIVER'S LICENSE FOR ONE  
21 YEAR. IF YOU CAUSE THE AUTO ACCIDENT AND  
22 DO NOT HAVE LIABILITY INSURANCE OR A BOND,  
23 YOU MAY HAVE TO PAY THE INJURED PERSON  
24 YOURSELF AND THESE COSTS MAY BE  
25 SUBSTANTIAL."

26 "I HAVE READ THE ABOVE PARAGRAPH AND  
27 UNDERSTAND THAT I AM ABOUT TO BUY A TYPE  
28 OF INSURANCE THAT DOES NOT ALLOW ME TO  
29 DRIVE THE VEHICLE LEGALLY ON THE STREETS  
30 OF CALIFORNIA.  
31 \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE"

32 "LIABILITY AUTO INSURANCE AS WELL AS THE  
33 INSURANCE NEEDED TO OBTAIN A LOAN FOR  
34 YOUR CAR MAY BE PURCHASED THROUGH A  
35 LICENSED INSURANCE AGENT OR BROKER. THE  
36 PRICE FOR BOTH TYPES OF INSURANCE MAY BE  
37 MORE OR LESS THAN THE PRICE FOR THE  
38 INSURANCE YOU ARE BEING OFFERED BY THIS  
39 AUTOMOBILE DEALER. THE STATE OF  
40 CALIFORNIA ADVISES YOU TO SHOP FOR

1 INSURANCE BECAUSE PRICES MAY VARY  
2 SUBSTANTIALLY.”

3 “I HAVE READ AND UNDERSTAND THAT THE  
4 TYPE OF INSURANCE THAT I NEED TO DRIVE THE  
5 CAR LEGALLY ON THE STREETS MAY BE  
6 AVAILABLE ELSEWHERE.

7 \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE”

8 “I UNDERSTAND THAT IF I DRIVE ON THE  
9 STREETS OF CALIFORNIA WITHOUT LIABILITY  
10 INSURANCE OR A BOND, THEN I MAY BE SUBJECT  
11 TO SEVERE FINANCIAL PENALTIES, INCLUDING  
12 FINES AND PERSONAL PAYMENTS FOR ANY  
13 DAMAGE TO OTHERS THAT I MAY CAUSE WHILE  
14 DRIVING.

15 \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE”

16

17 (2) The Department of Motor Vehicles shall provide  
18 the notice described above, in those languages in which  
19 the Secretary of State used in the printing of the most  
20 recent Statewide Ballot Pamphlet and shall, upon  
21 request, distribute those notices in those languages to  
22 lienholders. Upon request of a purchaser, a lienholder  
23 shall provide the notice to the purchaser in a language  
24 identified in this paragraph.

25 (d) If subsequent to the execution of the contract the  
26 holder advances amounts for repairs to or preservation of  
27 the motor vehicle or preservation of the holder’s security  
28 interest therein and such advances are occasioned by the  
29 buyer’s default under the contract, such advances may be  
30 the subject of finance charges from the date of advance  
31 as provided in subdivision (e) and shall be secured as  
32 provided in the contract and permitted by Section 2984.2.

33 (e) The maximum rate of finance charge which may  
34 be imposed on amounts advanced by the holder  
35 subsequent to the execution of the contract for insurance,  
36 repairs to or preservation of the motor vehicle, or  
37 preservation of the holder’s security interest therein, shall  
38 not exceed the annual percentage rate disclosed pursuant  
39 to Section 2982.

1 SEC. 2. Section 4000.37 of the Vehicle Code is  
2 amended to read:

3 4000.37. (a) Upon application for renewal of  
4 registration of a motor vehicle, the department shall  
5 require that the applicant submit either a form approved  
6 by the department, but issued by the insurer, as specified  
7 in paragraph (1) or (2), or any of the items specified in  
8 paragraph (3), as evidence that the applicant is in  
9 compliance with the financial responsibility laws of this  
10 state.

11 (1) For vehicles covered by private passenger  
12 automobile liability policies and having coverage as  
13 described in subdivisions (a) and (b) of Section 660 of the  
14 Insurance Code, or policies and coverages for private  
15 passenger automobile policies as described in  
16 subdivisions (a) and (b) of that section and issued by an  
17 automobile assigned risk plan, the form shall include all  
18 of the following:

19 (A) The primary name of the insured covered by the  
20 policy or the vehicle owner, or both.

21 (B) The year, make, and vehicle identification  
22 number of the vehicle.

23 (C) The name, the National Association of Insurance  
24 Commissioners (NAIC) number, and the address of the  
25 insurance company or surety company providing a policy  
26 or bond for the vehicle.

27 (D) The policy or bond number, and the effective date  
28 and expiration date of that policy or bond.

29 (E) A statement from the insurance company or  
30 surety company that the policy or bond meets the  
31 requirements of Section 16056 or 16500.5.

32 (2) For vehicles covered by commercial or fleet  
33 policies, and not private passenger automobile liability  
34 policies, as described in paragraph (1), the form shall  
35 include all of the following:

36 (A) The name and address of the vehicle owner or  
37 fleet operator.

38 (B) The name, the NAIC number, and the address of  
39 the insurance company or surety company providing a  
40 policy or bond for the vehicle.

(C) The policy or bond number, and the effective date and expiration date of the policy or bond.

(D) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5 and is a commercial or fleet policy. For vehicles registered pursuant to Article 9.5 (commencing with Section 5300) or Article 4 (commencing with Section 8050) of Chapter 4, one form may be submitted per fleet as specified by the department.

(3) In lieu of evidence of insurance as described in paragraphs (1) and (2), one of the following documents as evidence of coverage under an alternative form of financial responsibility may be provided by the applicant:

(A) An evidence form, as specified by the department, that indicates either a certificate of self-insurance or an assignment of deposit letter has been issued by the department pursuant to Sections 16053 or 16054.2.

(B) An insurance covering note or binder pursuant to Section 382 or 382.5 of the Insurance Code.

(b) This section does not apply to any of the following:

(1) A vehicle for which a certification has been filed pursuant to Section 4604, until the vehicle is registered for operation upon the highway.

(2) A vehicle that is owned or leased by, or under the direction of, the United States or any public entity that is included in Section 811.2 of the Government Code.

(3) A vehicle registration renewal application where there is a change of registered owner.

(4) A vehicle for which evidence of liability insurance information has been electronically filed with the department.

*(c) This section shall remain in effect only until July 1, 2001, and as of that date is repealed, unless a later enacted statute, that is enacted before July 1, 2001, deletes or extends that date.*

SEC. 3. Section 4000.37 is added to the Vehicle Code, to read:

4000.37. (a) Upon application for initial registration, renewal of registration, or upon transfer of ownership and



1 registration of a motor vehicle, the department shall  
2 require that the applicant submit either a form approved  
3 by the department, but issued by the insurer, as specified  
4 in paragraph (1) or (2), or any of the items specified in  
5 paragraph (3), as evidence that the applicant is in  
6 compliance with the financial responsibility laws of this  
7 state.

8 (1) For vehicles covered by private passenger  
9 automobile liability policies and having coverage as  
10 described in subdivisions (a) and (b) of Section 660 of the  
11 Insurance Code, or policies and coverages for private  
12 passenger automobile policies as described in  
13 subdivisions (a) and (b) of that section and issued by an  
14 automobile assigned risk plan, the form shall include all  
15 of the following:

16 (A) The primary name of the insured covered by the  
17 policy or the vehicle owner, or both.

18 (B) The year, make, and vehicle identification  
19 number of the vehicle.

20 (C) The name, the National Association of Insurance  
21 Commissioners (NAIC) number, and the address of the  
22 insurance company or surety company providing a policy  
23 or bond for the vehicle.

24 (D) The policy or bond number, and the effective date  
25 and expiration date of that policy or bond.

26 (E) A statement from the insurance company or  
27 surety company that the policy or bond meets the  
28 requirements of Section 16056 or 16500.5.

29 (2) For vehicles covered by commercial or fleet  
30 policies, and not private passenger automobile liability  
31 policies, as described in paragraph (1), the form shall  
32 include all of the following:

33 (A) The name and address of the vehicle owner or  
34 fleet operator.

35 (B) The name, the NAIC number, and the address of  
36 the insurance company or surety company providing a  
37 policy or bond for the vehicle.

38 (C) The policy or bond number, and the effective date  
39 and expiration date of the policy or bond.





(D) A statement from the insurance company or surety company that the policy or bond meets the requirements of Section 16056 or 16500.5 and is a commercial or fleet policy. For vehicles registered pursuant to Article 9.5 (commencing with Section 5300) or Article 4 (commencing with Section 8050) of Chapter 4, one form may be submitted per fleet as specified by the department.

(3) In lieu of evidence of insurance as described in paragraphs (1) and (2), one of the following documents as evidence of coverage under an alternative form of financial responsibility may be provided by the applicant:

(A) An evidence form, as specified by the department, that indicates either a certificate of self-insurance or an assignment of deposit letter has been issued by the department pursuant to Sections 16053 or 16054.2.

(B) An insurance covering note or binder pursuant to Section 382 or 382.5 of the Insurance Code.

(b) This section does not apply to any of the following:

(1) A vehicle for which a certification has been filed pursuant to Section 4604, until the vehicle is registered for operation upon the highway.

(2) A vehicle that is owned or leased by, or under the direction of, the United States or any public entity that is included in Section 811.2 of the Government Code.

(3) A vehicle for which evidence of liability insurance information has been electronically filed with the department.

(c) This section shall become operative on July 1, 2001.

SEC. 4. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because the only costs that may be incurred by a local agency or school district will be incurred because this act creates a new crime or infraction, eliminates a crime or infraction, or changes the penalty for a crime or infraction, within the meaning of Section 17556 of the Government Code, or changes the definition

- 1 of a crime within the meaning of Section 6 of Article
- 2 XIII B of the California Constitution.

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